

Message Text

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EXDIS/FOR RICHARD COOPER ONLY FROM FRANK

E.O. 11652: GDS

TAGS: ETRD

SUBJECT:POSITION PAPER ON COMMON FUND

1. BELOW FOR YOUR INTEREST AND COMMENT IS THE TEXT OF
A POSITION PAPER FOR THE UNCTAD NEGOTIATING CONFERENCE ON
A COMMON FUND PREPARED BY EB.

2. BEGIN TEXT.

3. PROBLEM: THE UNCTAD IV CONFERENCE ON MAY 30, 1976
APPROVED A RESOLUTION ON COMMODITIES WHICH ESTABLISHED
THE INTEGRATED PROGRAM FOR COMMODITIES. THIS PROGRAM
INCLUDES A SERIES OF MEETINGS ON THE EIGHTEEN COMMODITIES
SPECIFIED IN THE RESOLUTION, AS WELL AS THE CONVENING OF
A NEGOTIATING CONFERENCE ON A COMMON FUND TO BE HELD NO
LATER THAN MARCH, 1977. THIS LATTER CONFERENCE WILL TAKE
PLACE MARCH 7 - APRIL 1. AMONG THE RESERVATIONS THE U.S.
STATED TO THE UNCTAD IV COMMODITIES RESOLUTION WAS THE
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SPECIFIC ONE THAT OUR ATTENDANCE AT THE NEGOTIATING CON-
FERENCE WOULD BE DETERMINED ONLY AFTER A SERIES OF
PREPARATORY MEETINGS ON A FUND HAD BEEN CONCLUDED. THE
U.S. ALSO MADE CLEAR IN ITS RESERVATION THAT A DECISION

ON COMMON FINANCING COULD BE CONSIDERED ONLY IN THE LIGHT
OF DEVELOPMENTS ON INDIVIDUAL COMMODITIES.

4. THE NEW ADMINISTRATION HAS CONDUCTED AN OVERALL REVIEW OF U.S. COMMODITY POLICY, OF WHICH THE ISSUE OF COMMON FUNDING AND THE COMMON FUND NEGOTIATING CONFERENCE ARE ONLY A SMALL PART -- AND NOT A PART WHICH WE WOULD EMPHASIZE. BUT THE TIMING OF COMMODITY MEETINGS THIS YEAR IS SUCH THAT THE COMMON FUND NEGOTIATING CONFERENCE COMES FIRST AMONG MAJOR NORTH-SOUTH MEETINGS.

5. THE G-77 (DEVELOPING COUNTRIES) HAVE GENERALLY ACTED AS A BLOC IN UNCTAD DISCUSSIONS OF THE FUND UP TO NOW AND HAVE MADE CLEAR (1) THEY ATTACH HIGHEST PRIORITY AS AN ISSUE IN NORTH-SOUTH RELATIONS TO THE ESTABLISHMENT OF THE FUND, PREFERABLY AT THE MARCH NEGOTIATING CONFERENCE ITSELF; AND (2) THEY INSIST THAT THEIR VERSION OF SUCH A FUND BE THE ONE ESTABLISHED, I.E., ONE WHICH IS A PRIMARY AND CENTRAL SOURCE OF FINANCING FOR INDIVIDUAL BUFFER STOCKS, AND THAT THE FUND BE ESTABLISHED PRIOR TO AGREEMENT ON SUCH INDIVIDUAL BUFFER STOCKS.

6. U.S. POSITION: (1) THE OVERALL U.S. APPROACH TO COMMODITIES WILL INCLUDE A WILLINGNESS TO CONSIDER, WITHOUT PRECOMMITMENT IN ADVANCE OF DECISIONS ON INDIVIDUAL COMMODITY AGREEMENTS, POSSIBLE COMMON FUNDING MECHANISMS FOR BUFFER STOCKS IN PARALLEL WITH THE CONSIDERATION OF POSSIBLE BUFFER STOCKING AGREEMENTS FOR INDIVIDUAL COMMODITIES. WORK IS STILL UNDERWAY ON THE TYPE OF COMMON FUNDING MECHANISM WHICH WE MIGHT EVENTUALLY ACCEPT, PARTICULARLY WITH REGARD TO WHETHER AN OVERCONFIDENTIAL

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DRAFT FACILITY WOULD BE AVAILABLE TO INDIVIDUAL BUFFER STOCKS USING THE FUNDS OF OTHER BUFFER STOCKS ON INCREMENTAL CENTRAL FINANCING.

(2) WE WILL PROBABLY NOT HAVE DEVELOPED OUR POSITION ON THE COMMON FUNDING MECHANISM SUFFICIENTLY BY EARLY MARCH TO BE ABLE TO PRESENT IT FORMALLY AT THE OPENING OF THE MARCH MEETING. EVEN IF WORK WERE SUFFICIENTLY ADVANCED, THERE WOULD BE STRONG ARGUMENTS AGAINST OUR TABLING FORMALLY A COMMON FUNDING PROPOSAL. ANY PROPOSAL TO WHICH WE COULD AGREE FALLS FAR SHORT OF THE UNCTAD VERSION OF THE COMMON FUND WHICH CALLS FOR COMMITMENT OF FUNDS IN ADVANCE OF DECISIONS ON INDIVIDUAL COMMODITY AGREEMENTS AND IS LIKELY TO BE REJECTED OUT OF HAND BY THE G-77 IF PRESENTED FORMALLY IN THE MARCH MEETING.

(3) OUR OVERALL APPROACH, WITH ITS POSITIVE STRESS ON SOME INDIVIDUAL COMMODITIES, POSSIBLE INITIATIVES IN EXPORT EARNINGS STABILIZATION, ETC., SHOULD BE ATTRACTIVE

TO A NUMBER OF KEY LDC'S. BUT DEVELOPMENT OF IT WILL REQUIRE FURTHER WORK WITHIN THE USG AND EXTENSIVE CONGRESSIONAL CONSULTATIONS. MOREOVER, WE WILL WANT TO CONSULT ON IT EXTENSIVELY WITH OTHER DC'S AND WITH KEY LDC'S IN CAPITALS BEFORE LAUNCHING IT FORMALLY IN ANY MULTILATERAL FORUM. IN THIS REGARD, WE WILL PROBABLY WANT TO USE THE OTHER NORTH-SOUTH MEETINGS SCHEDULED FOR THE NEXT SEVERAL MONTHS, INCLUDING THE MEETING OF THE IMF-IBRD DEVELOPMENT COMMITTEE AND THE CIEC MINISTERIAL, TO GAIN SUPPORT FOR AN OVERALL APPROACH. THEREFORE, A FORMAL UNVEILING OF OUR OVERALL POSITION AT THE MARCH MEETING IS NEITHER FEASIBLE NOR CONSISTENT WITH OUR MEDIUM-TERM INTERESTS AND TIMETABLE.

(4) WE WANT TO AVOID ANY OPEN CLASH IN THE MARCH MEETING WHICH COULD HAVE UNFAVORABLE REPERCUSSIONS ON OTHER NORTH-SOUTH DISCUSSIONS IN 1977.

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(5) GIVEN THESE CONSIDERATIONS, OUR DESIRED OUTCOME AT THE MARCH MEETING IS AN INCONCLUSIVE RESULT. WE CANNOT REALISTICALLY HOPE TO CAUSE THE G-77 TO BACK AWAY FORMALLY FROM COMMITMENT TO THEIR VERSION OF THE COMMON FUND. BUT WE CANNOT ACCEPT ANY RESULT WHICH COMMITS US TO THE UNCTAD FUND, OR RULES OUT FURTHER CONSIDERATION OF THE TYPE OF ALTERNATIVE COMMON FUNDING MECHANISM WE MIGHT EVENTUALLY BE WILLING TO ACCEPT.

(6) THE US DELEGATION SHOULD TAKE THE POSITION THAT THE USG HAS NOT YET COMPLETED ITS STUDY OF ALL THESE ISSUES, BUT THAT WE ARE NOT OPPOSED "A PRIORI" TO THE CONCEPT OF A COMMON FUNDING MECHANISM. WE ARE WILLING, WITHOUT COMMITMENT, TO CONTINUE TO EXPLORE ALL POSSIBLE TYPES OF SUCH A MECHANISM IN PARALLEL WITH THE EXAMINATION OF INDIVIDUAL COMMODITIES. THE US SHOULD THEN WORK IN THE MARCH MEETING TO ENSURE THAT THE PRINCIPLES AND MODALITIES OF ALTERNATIVES TO THE UNCTAD/G-77 APPROACH ARE EXAMINED. THE DELEGATION SHOULD WORK CLOSELY WITH OTHER KEY GROUP B COUNTRIES (FRG, UK, FRANCE, AND JAPAN) TO ENSURE COORDINATION ON TACTICS AND TO AVOID ANY EROSION OF GROUP B OPPOSITION TO THE UNCTAD APPROACH TO THE COMMON FUND.

(7) TO SUPPORT THIS POSITION IN THE UNCTAD MEETING, THE US SHOULD CONTINUE ON A PRIORITY BASIS TO DEVELOP THE SPECIFIC DETAILS OF ITS OVERALL COMMODITY APPROACH AND

TO CONSULT ON IT WITH OTHER MAJOR DEVELOPED COUNTRIES. WE SHOULD UNDERTAKE AN EXTENSIVE SERIES OF BILATERAL

CONTACTS IN MARCH IN THE CAPITALS OF KEY LDC'S TO OUT-
LINE OUR APPROACH. THESE APPROACHES TO THE LDC'S SHOULD
STRESS THAT THE BENEFITS POTENTIALLY AVAILABLE TO THEM
FROM AGREEMENTS AND ARRANGEMENTS ON INDIVIDUAL COMMODI-
TIES AND THE OTHER ELEMENTS OF OUR OVERALL APPROACH WOULD
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BE AT RISK IN ANY CONFRONTATION OVER THE COMMON FUND
ISSUE. WE SHOULD SEEK THEIR SUPPORT FOR THE TYPE OF
OUTCOME WE WANT FROM THE MARCH MEETING.

END TEXT.
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